

FDIC State Profile

Spring 2005

Oklahoma

Oklahoma job growth recovery takes hold in 2004.

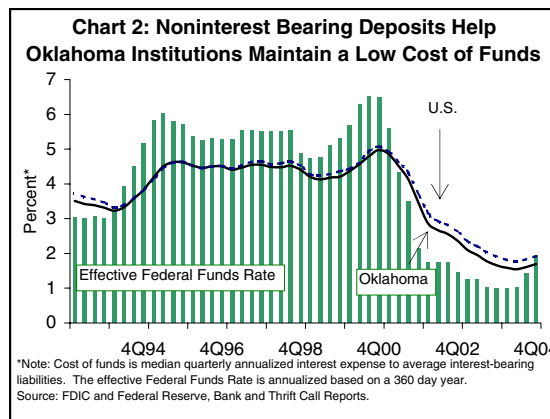
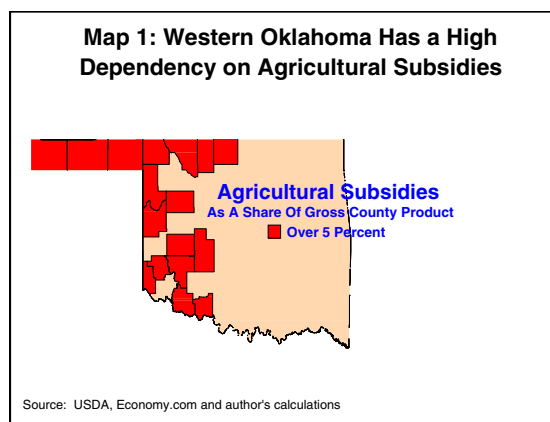
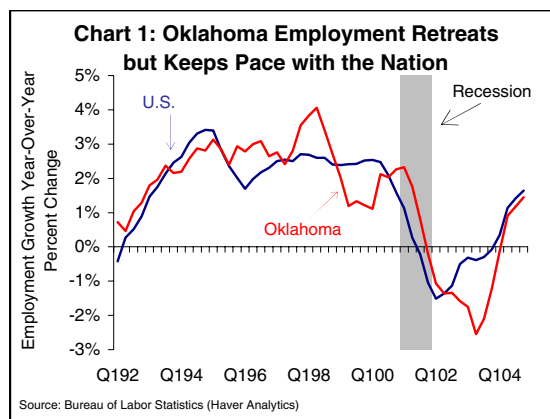
- Oklahoma employment growth improved to 1.4 percent during 2004 and modestly lagged the nation, which grew at 1.6 percent as of year-end 2004 (See Chart 1).
- Total nonfarm employment stood at nearly 1.47 million in fourth quarter 2004, about 27,000 less than the state's previous quarterly peak in second quarter 2001.
- Although a slight acceleration in job growth is expected this year, a new quarterly employment peak in Oklahoma may not occur before late 2006 or early 2007.

Employment gains are mixed across the state's major industry sectors.

- Manufacturing in Oklahoma is still losing jobs on a year-over-year basis. However, the rate of job loss is stabilizing, and the ongoing U.S. and global expansion could stimulate a modest pace of new job creation sometime this year.
- The natural resources and mining sector reported the fastest employment growth at 5.9 percent for the one-year period ending 2004, largely because of high oil and natural gas prices. Professional and business services were the second fastest growing sector at 4 percent.

Telecommunications restructuring could hamper Tulsa's job growth.

- As many telecommunications firms grapple with overcapacity and a need to improve efficiencies, merger activity in the industry is heating up. Depending on restructuring decisions, several large communications companies located in the **Tulsa** metropolitan area that have announced mergers could affect job growth in the area.



State Profile

Budget cuts leave agricultural lenders and producers with worries.

- The proposed 2006 Federal budget is seeking a reduction in USDA spending of 9.6 percent—at least \$587 million next year and \$5.7 billion over the next 10 years.¹
- A change in the structure and amount of agricultural subsidies will likely cause financial strain on producers who have long depended on this income. The counties in Oklahoma with a large dependency² on agricultural subsidies are illustrated geographically (See Map 1).

Tourism and gaming industry bets on Oklahoma.

- Employment in Oklahoma's leisure and hospitality sector grew at a rate of 1.9 percent as of year-end 2004. Part of this growth is the product of the tourism industry's partnering with the gaming industry to bring more visitors to Oklahoma. The growing popularity of "No Limit Texas Hold'em" Poker has prompted many gaming facilities to petition for licenses allowing these types of games.

Higher crude oil prices continue to lift the state's economy.

- Crude oil prices continued their volatility. In March 2005, the price per barrel surpassed \$56 (West Texas Intermediate crude), establishing a new all time high, supported by colder weather and concerns over tighter crude oil supplies.
- Oil prices as of early March 2005 stood nearly 50 percent higher from the same period a year ago.
- During 2004, higher energy prices contributed to an additional 1,300 jobs in the state's high-paying support activities for the mining industry. Employment gains in this industry have grown at double-digit rates for three consecutive quarters now, providing a lift to the state's overall economy.

Oklahoma insured institutions post impressive results for 2004.

- Oklahoma headquartered banks and thrifts posted the highest annual average return on assets in the past ten years. Thus far in the recent rising interest rate environment, the strong median net interest margin has held steady. However, positive factors including the relatively low cost of funds and lower provision expenses may be difficult to match in future quarters.

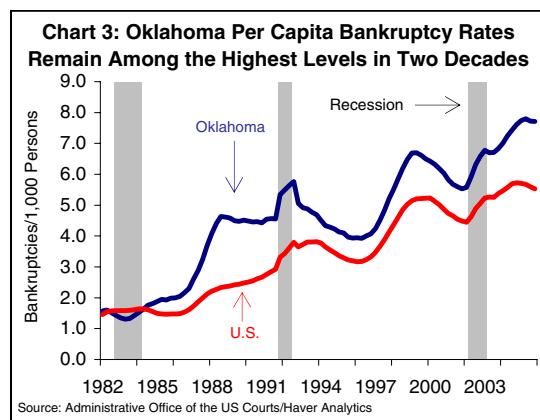
- Credit quality for Oklahoma institutions, like the nation, continues to improve as past-due and charge-off rates remain near ten-year lows.

Low funding costs continue to benefit Oklahoma insured institution margins.

- The median cost of funds for Oklahoma insured institutions was 1.69 for the fourth quarter of 2004, ranking in the lowest quartile among other states (See Chart 2).
- One reason for this advantage is that Oklahoma institutions tend to hold higher levels of noninterest bearing deposits. Additionally, almost two-thirds of the state's insured institutions reside in rural areas, which often have fewer market competitors and provide bankers with greater influence in determining interest rates for both loan and deposit products. Both factors may be positive for bank and thrift profitability should short-term interest rates continue to rise modestly.

Even as consumer fundamentals continue to exhibit some signs of weakness, insured institution credit quality remains largely unaffected.

- With foreclosures among the highest in a decade and substantially above the national average, Oklahoma residential real estate continues to show signs of stress. Moreover, Oklahoma per capita bankruptcy rates remain among the highest levels in two decades and rank ninth nationally (See Chart 3). Expectations of modest employment growth does not suggest a quick recovery.
- Despite these trends, Oklahoma consumer past-due and charge-off rates have fallen over the past several years and remain below the national averages. However, the upward trend in consumer debt service burdens and bankruptcy filings suggests that consumer credit quality is an area to watch going forward.



¹Reynolds, John "Bush budget plan puts farm aid on chopping block," Lubbock Online.com, February 5, 2005.

²The average share of a county's gross product (GDP) from agricultural subsidies is well below 1 percent (0.18). For our analysis, a "large dependency" is a county where subsidies exceed 5 percent of GDP.

Oklahoma at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.4%	-1.2%	-1.6%	-0.2%	2.3%
Manufacturing (10%)	-0.3%	-4.4%	-9.4%	-7.2%	-0.3%
Other (non-manufacturing) Goods-Producing (6%)	1.4%	1.8%	-3.4%	3.5%	4.5%
Private Service-Producing (64%)	1.1%	-0.9%	-0.7%	-0.4%	2.6%
Government (21%)	3.2%	-1.5%	0.4%	3.5%	2.2%
Unemployment Rate (% of labor force)	4.6	5.4	5.1	4.4	3.0

Other Indicators	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Personal Income	N/A	5.4%	-0.8%	5.1%	8.6%
Single-Family Home Permits	8.8%	6.4%	23.7%	26.8%	-22.4%
Multifamily Building Permits	68.9%	47.2%	-61.1%	672.8%	-73.0%
Existing Home Sales	3.9%	3.6%	11.6%	16.7%	-2.0%
Home Price Index	5.2%	4.2%	4.0%	5.8%	4.3%
Bankruptcy Filings per 1000 people (quarterly level)	1.72	1.90	1.78	1.60	1.40

BANKING TRENDS

General Information	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Institutions (#)	274	278	280	289	294
Total Assets (in millions)	56,422	56,782	56,267	52,983	49,757
New Institutions (# < 3 years)	4	4	4	3	4
Subchapter S Institutions	141	136	123	109	95

Asset Quality	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Past-Due and Nonaccrual Loans / Total Loans (median %)	2.17	2.37	2.63	2.80	2.69
ALLL/Total Loans (median %)	1.19	1.25	1.25	1.25	1.23
ALLL/Noncurrent Loans (median multiple)	1.61	1.29	1.25	1.33	1.53
Net Loan Losses / Total Loans (median %)	0.20	0.26	0.28	0.26	0.26

Capital / Earnings	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Tier 1 Leverage (median %)	9.52	9.57	9.35	9.24	9.46
Return on Assets (median %)	1.21	1.15	1.24	1.10	1.18
Pretax Return on Assets (median %)	1.42	1.43	1.51	1.42	1.51
Net Interest Margin (median %)	4.50	4.45	4.61	4.50	4.69
Yield on Earning Assets (median %)	5.76	6.02	6.72	7.91	8.49
Cost of Funding Earning Assets (median %)	1.30	1.52	2.16	3.45	3.83
Provisions to Avg. Assets (median %)	0.17	0.19	0.22	0.20	0.19
Noninterest Income to Avg. Assets (median %)	0.93	0.96	0.92	0.90	0.87
Overhead to Avg. Assets (median %)	3.35	3.42	3.42	3.38	3.38

Liquidity / Sensitivity	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Loans to Assets (median %)	60.9	60.0	60.3	58.9	60.2
Noncore Funding to Assets (median %)	19.0	17.4	17.2	16.9	16.4
Long-term Assets to Assets (median %, call filers)	13.8	15.0	13.9	14.0	11.8
Brokered Deposits (number of institutions)	50	38	31	25	21
Brokered Deposits to Assets (median % for those above)	2.9	2.8	2.1	3.1	2.4

Loan Concentrations (median % of Tier 1 Capital)	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Commercial and Industrial	88.7	89.5	89.3	91.1	91.3
Commercial Real Estate	119.9	105.9	94.4	91.1	88.9
<i>Construction & Development</i>	13.8	15.0	12.7	10.6	10.2
<i>Multifamily Residential Real Estate</i>	0.0	0.0	0.0	0.0	0.0
<i>Nonresidential Real Estate</i>	97.2	84.1	72.7	68.8	68.1
Residential Real Estate	135.0	139.6	145.0	146.1	142.5
Consumer	75.7	83.3	84.4	93.5	96.6
Agriculture	77.3	73.1	77.8	78.7	73.1

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Oklahoma City, OK	70	14,855	< \$250 mil.	245 (89.4%)
Tulsa, OK	68	13,023	\$250 mil. to \$1 bil.	23 (8.4%)
Fort Smith, AR-OK	22	3,400	\$1 bil. to \$10 bil.	5 (1.8%)
Lawton, OK	10	855	> \$10 bil.	1 (0.4%)